

## THE FINANCIAL SITUATION.

For the first three-quarters of last week the stock market was about as quiet an affair as is ever witnessed. There continued a little discussion of the Brooklyn Rapid Transit Company's \$150,000,000 bond issue, and the general consensus was that in its present shape the proposition was not understandable. Many questions were asked about the Metropolitan Street Railway Company's financial arrangement, the most direct expression of curiosity perhaps being why, if the possession of the Metropolitan Street Railway Company's treasury assets and the lease of its lines was sufficient to make the stock of the new holding company sell at a high premium, the Metropolitan company should not have been enabled to procure the additional capital it desired by a fresh issue of its own stock or bonds. The answer was that the Metropolitan company has put out a good deal of new stock recently, and that a further issue now might result in quotations for the entire capital issue and dividends thereon, which would temporarily, at least, be displeasing to stockholders. The scheme adopted is one which allows stockholders in the company to hold their property undisturbed, and at the same time affords an opportunity to other stockholders who believe that the company will earn more than 7 per cent. when its final improvements are made, to invest in that possibility. But all interest in these matters ceased with the announcement in Thursday morning's newspapers of the move of the Government against the Northern Securities Company. The news turned dull and slumbering Wall Street into a bedlam. At first, of course, nine out of ten people regarded the matter from the point of view of their immediate financial position. Speculators who were committed to an advance in price, and who were started at the President's action and did not hesitate to say so. On the other hand, they admitted, or most of them did after they thought it over, that exactly some such action was inevitable sooner or later and that, all things considered, it was better to have it occur sooner than later. In the formation of these great railroad holding companies certain legal problems are unquestionably presented. It is well that these problems should be settled as soon as possible.

The whole status of the actual and potential litigation over the Northern Securities Company has been of general misapprehension and misrepresentation, the economic side of the affair has been so popularly confused with the legal side, and the importance of the present proceeding of the State of Minnesota in the United States Supreme Court in particular has been so exaggerated that some simple statement of facts really seems to be needed. Tests of the legality of the Northern Securities Company may proceed along three lines, each of them separate and distinct from the other and involving wholly different questions. A decision one way or the other in any one action does not affect the others in the least. The possible course are: First, proceedings in the local courts in the various Northwestern States upon the ground that the Northern Securities Company exists in violation of Constitutions and statutes there; second, proceedings in the Federal courts at the instance of some one State on the ground that the Northern Securities Company exists under a charter unlawfully granted by the State of New Jersey; and, third, proceedings in the Federal Government on the ground that the Northern Securities Company exists in violation of the Anti-Trust laws. No serious action in any State court has yet been begun, the suits of this sort now pending in Minnesota being, so far as can be discovered, of a trivial and unworthy nature. The law of Minnesota declares that no railroad corporation or the purchaser or managers of any railroad corporation shall consolidate the property of the corporation with or lease or purchase or in any way control any other railway corporation, owning or having under its control a parallel or competing line. As the Great Northern Railway is a Minnesota corporation proceedings might be taken against it in Minnesota under this law. The defense of the Northern Railway will be, of course, that it has in no sense merged with the Northern Pacific Railway, some of its stockholders only having exchanged their stock for stock of the Northern Securities Company, as they had a right to do. Whether that exchange does or does not constitute a merger will be the question in the case.

An action of the class second named has been brought by the State of Minnesota. The Attorney-General of the State avers that the State of New Jersey cannot legally commission any corporation to do business in Minnesota contrary to the laws or Constitution of Minnesota. The answer set up is, first, that the Northern Securities Company does not intend to do business in Minnesota against the laws of that State, and second, that the Northern Securities Company is a corporation of the State of New Jersey, and in no way managing or operating the Great Northern and Northern Pacific railways; and, second, that the State of Minnesota cannot prevent a citizen or corporation in New Jersey from buying and owning railway stock or any other property. The rejoinder to this is that the idea of an ownership of railway property which does not include management and operation of the same is a legal fiction, and that whatever may be the ordinary laws about buying and selling no State can charter a monopoly. A petition has been addressed to the United States Supreme Court by the State of Minnesota, asking the Court to assume original jurisdiction in the matter, that is, to hear the case itself, through a Commissioner, or in some other way without previous reference to the lower Federal tribunals. A decision on this motion will be simply a decision on a question of procedure; it will not settle any point of law or fact in the case, and the manner in which Wall Street has endeavored to bring the case to the attention of the public is a curious exhibition of persistent ignorance. If the Court refuses to take the case, the State of Minnesota will file its bill of equity as a new proceeding in some Federal Circuit Court. If the Court assumes jurisdiction, the method it will adopt of hearing the case is uncertain, only four or five similar proceedings ever having been undertaken. The decision may be important for the wording betrays the mind of the Court or of any of the judges on any of the main issues of the case. But lawyers know how misleadingly other remarks of this character are.

Proceedings against the Northern Securities Company under the Anti-Trust law

are now about to be begun by the Attorney-General of the United States. The case will go on quite independently of the attack of the State of Minnesota upon the charter given to the Northern Securities Company by the State of New Jersey. The Anti-Trust law prohibits every contract or combination in the form of a trust or otherwise, in restraint of trade or commerce. The notable decisions of the Supreme Court under it have been those in the Sugar case in 1897, and in the later cases of the Trans-Missouri Freight Association, the Joint Traffic Association and the Addyston Pipe Company. In the Sugar case the court held, in effect, that the business of manufacturing could not be construed as commerce between the States. The far-reaching effect of the decision was to practically confine the operation of the Anti-Trust law to railway corporations. Thus the violations heard so loudly in Wall Street that the present proceeding menaces the United States Steel Corporation and other industrial concerns are absurd. The Addyston Pipe Company was, it was true, a manufacturing company; but the vital point in the case was the secret agreement entered into by six separate corporations. The other decisions mentioned were of the same character, involving the general Constitutionality of the Anti-Trust law and the question of an agreement or combination between companies that were actually distinct organizations. In the Northern Securities Company's case the question presented is whether a corporation that owns outright a majority of the stock of two previously competing railway companies represents a combination in restraint of trade within the meaning of the Anti-Trust law. The powerful argument on the one side is that the Northern Securities Company has the same right to buy the stock of the Great Northern and Northern Pacific railways that any individual has to acquire those stocks privately, and that if the Northern Securities Company does not have this right, then no railway in the country can ever buy another road that is at all competitive; and that the purchases of the West Shore by the New York Central, of the Mobile and Ohio by the Southern Railway, and of the Jersey Central by the Reading, not to mention a score of other instances, were illegal. The reply made is, that the legality under the Anti-Trust law of purchases of this character are questions of fact to be determined in each instance; that as the charter of the Northern Securities Company allows the company to purchase stocks and bonds of railways *ad libitum*, the company could, under the charter, purchase and own all the railways of the country, and that the court is thus plainly asked to legalize complete railway monopoly; and that a distinction must be made between the wealth and power acquired by an individual or a corporation, and the operations of the Government, and the wealth and power of corporations created by the Government which by successive consolidations might rise to heights far exceeding that which would be attained or wielded by any individual ownership. The Supreme Court appears to have hinted at some such doctrine as this last in its decision in the Sugar case in 1897.

From a market point of view it is the delay in determining these matters that is the bad thing. Hundreds of millions of dollars involved in the Northern Securities Company will be locked up and the organization of many similar companies will be prevented until the ghost of these questions is laid. A director of the Northern Securities Company has been quoted as intimating that if the delay continues, the idea of reorganizing the company under an English or a Canadian charter will be taken up. But it would seem as if such a project would, for obvious reasons, be the resource last considered. Widely differing views are entertained by lawyers as to these legal issues, but even seen very clearly working for a general acquiescence in one opinion, namely, that there must soon be some sort of settlement of what has been aptly described as this "interstate chaos." The relations of the States of our country to each other and to the Federal Government on great matters of property, have become vastly complicated with the rapidity of communication between the States and the marvelous development of our country's business. There is a confusion of jurisdiction and jurisprudence going on that has become well nigh intolerable; and the business of doing in one State what cannot be done in another has proceeded to extremes which, whether they are legal or not, has brought a maze of legal tangles. The diversity of our divorce laws and the fictitious residences held away from one's actual residence for the purpose of avoiding taxation, or as was evidenced in the Plant will case, to affect the disposition of property, are further instances of the trouble.

PHILIP KING.

FINANCIAL AND COMMERCIAL.

State	Name	Open	High	Low	Close
888	Cal Mid 4-4	88 1/2	89 1/2	89 1/2	89 1/2
889	Cal Mid 4-4	88 1/2	89 1/2	89 1/2	89 1/2
890	Cal Mid 4-4	88 1/2	89 1/2	89 1/2	89 1/2
891	Cal Mid 4-4	88 1/2	89 1/2	89 1/2	89 1/2
892	Cal Mid 4-4	88 1/2	89 1/2	89 1/2	89 1/2
893	Cal Mid 4-4	88 1/2	89 1/2	89 1/2	89 1/2
894	Cal Mid 4-4	88 1/2	89 1/2	89 1/2	89 1/2
895	Cal Mid 4-4	88 1/2	89 1/2	89 1/2	89 1/2
896	Cal Mid 4-4	88 1/2	89 1/2	89 1/2	89 1/2
897	Cal Mid 4-4	88 1/2	89 1/2	89 1/2	89 1/2
898	Cal Mid 4-4	88 1/2	89 1/2	89 1/2	89 1/2
899	Cal Mid 4-4	88 1/2	89 1/2	89 1/2	89 1/2
900	Cal Mid 4-4	88 1/2	89 1/2	89 1/2	89 1/2
901	Cal Mid 4-4	88 1/2	89 1/2	89 1/2	89 1/2
902	Cal Mid 4-4	88 1/2	89 1/2	89 1/2	89 1/2
903	Cal Mid 4-4	88 1/2	89 1/2	89 1/2	89 1/2
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905	Cal Mid 4-4	88 1/2	89 1/2	89 1/2	89 1/2
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907	Cal Mid 4-4	88 1/2	89 1/2	89 1/2	89 1/2
908	Cal Mid 4-4	88 1/2	89 1/2	89 1/2	89 1/2
909	Cal Mid 4-4	88 1/2	89 1/2	89 1/2	89 1/2
910	Cal Mid 4-4	88 1/2	89 1/2	89 1/2	89 1/2
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996	Cal Mid 4-4	88 1/2	89 1/2	89 1/2	89 1/2
997	Cal Mid 4-4	88 1/2	89 1/2	89 1/2	89 1/2
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999	Cal Mid 4-4	88 1/2	89 1/2	89 1/2	89 1/2
1000	Cal Mid 4-4	88 1/2	89 1/2	89 1/2	89 1/2

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OF THE

Elizabethtown, Lexington and Big Sandy

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having, pursuant to agreement with you and each

of you, bearing date the first day of July, 1902,

memorandum whereof is endorsed upon each of

the bonds heretofore issued, guaranteed the payment

of the principal and interest of said bonds as the

same shall become due, the said bonds being pay-  
able in the City of New York on the first day of  
March, 1907, you are hereby notified to surrender  
the same to our fiscal agents, Messrs. J. P. Morgan  
& Co., 23 Wall Street, New York City, on said first  
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on said bonds, falling due on the first day of March,  
1907, must be presented at the same time and place.  
Notice is hereby given that on and after the said  
first day of March, 1907, interest ceases to run on  
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Capital, \$2,000,000

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